

FINANCIAL ANALYSIS OF JSW STEEL COMPANY - A STUDY

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Abstract

This study is conducted purely based on secondary data obtained through website of the specified private industry. By using the ratio analysis tool we can analyze the performance of both the steel industries in India and we can easily find out the strength and weakness of the companies and their position in the market. Different ratios are used in this study and particularly those which are related to the financial statement for this purpose balance sheet of year 2014-2018 of both the industries are used and from then ratios are calculated so according to which we can easily compare the company performance and tell which company grows faster and whose position is better than the other one.

Keywords: Financial analysis, Steel Company, Ratio

Introduction

The study Fundamental analysis is nothing but examining the forces that will destroy the well-being of the economy, industry groups, and companies. This system will be utilized will be used to assess the worth of a company's stock. It can additionally make utilized for estimating esteem of any sort of security, like securities or particular cash. This transform of key dissection includes looking at those economic, monetary Also other qualitative and additionally quantitative variables identified with An security In this way Similarly as will determine its innate worth. Key Investigation may be called quantitative Investigation Furthermore this primarily includes those company's monetary indicators (such as earnings, liabilities, revenues, expenses and assets).

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. The meaning of analysis is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors. There are many investment avenues for an investor to invest of them Share Market Industry is the one. Key examination may be a system for finding out what's to come cost of a stock which a mogul wishes to purchase. It tries with figure what's to come development of the money business utilizing signs starting with those Economy, business Also agency Furthermore also those genuine worth of a stock may be made Eventually Tom's perusing

recognizing those procuring possibility of the agency which relies ahead investment surroundings Furthermore factors identifying with particular industry, competitiveness, caliber about management, operational efficiency, profitability, capital structure Also profit arrangement.

Objectives of the study

- The basic objective of studying the ratios of the company is to know the financial position of the company.
- To know the borrowings of the company as well as the liquidity position of the company.
- To study the current assets and current liabilities so as to know whether the shareholders could invest in JSW Steel Company.
- To study the profits of the business and net sales of the business and to know the stock reserve for sales of the business.
- To know the solvency of the business and the capacity to give interest to the long term loan lenders (debenture holders) and dividend to the share holders.
- To study the balance of cash and credit in the organization.

Research Methodology

Research design: The descriptive form of research method is adopted for study. The major purpose of descriptive research is description of state of affairs of the institution as it exists at present. The nature and characteristics of the financial statements of JSW Steel Company have been described in this study.

Nature of data: The data required for the study has been collected from secondary source. The relevant information were taken from annual reports, journals and internet.

Methods of data collection: This study is based on the annual report of JSW Steel Company. Hence the information related to, profitability, short term and long term solvency and turnover were very much required for attaining the objectives of the present study.

Tools applied: To have a meaningful analysis and interpretation of various data collected, the tools are Ratio analysis.

Limitation of the study: The analysis was made with the help of the secondary data collected from the company. All the limitations of ratio analysis, common-size statement, comparative statements, and trend analysis and interpret are applicable to this study. The period of study is 5 years from 2013-14 to 2017-18.

Data Analysis and Interpretation

Table -1: Current Ratio

Year	Current asset	Current liabilities	Ratio
2014	831.66	1149.47	0.72
2015	827.63	1242.15	0.67
2016	964.84	1552.41	0.62
2017	1328.93	1891.34	0.70
2018	1437.50	2168.85	0.66

The above table shows that the current ratio in the year 2013-14 was 0.72 and then it decreases to 0.67 in the year 2014-15, further move downwards to 0.62 in the year 2015-16 and again move upwards to 0.70 in the year 2016-17 and finally in the year 2017-18 it again moved down to 0.66. The normal current ratio is 2:1. The above table shows current ratio is less than 2% in all the years. This shows that the company is not enjoying credit worthiness.

Table – 2: Liquid Ratio

Year	Liquid assets	Liquid liabilities	Ratio
2014	247.10	1149.47	0.21
2015	317.97	1242.15	0.26
2016	416.69	1552.41	0.27
2017	509.25	1891.34	0.27
2018	611.53	2168.85	0.28

The above table shows that the liquid ratio of JSW Steel for the study periods 2014 to 2018. All the years the Acid Test ratios are below than the normal ratio (i.e.) 1:1. Hence, the firm is controlling its stock position because there linear relationship between current ratio and liquid ratio.

Table – 3: Absolute Liquid Ratio

Year	Cash, bank and Securities	Current liabilities	Ratio
2014	13.03	1149.47	0.01
2015	17.45	1242.15	0.01
2016	82.57	1552.41	0.05
2017	5.39	1891.34	0.00
2018	32.84	2168.85	0.02

The above table shows that the absolute ratio for the study period 2014 to 2018. All the years there is fluctuation in the absolute ratio and very low ratios.

Table – 4: Debt Equity Ratio

Year	Outsider's funds	Proprietor's funds	Ratio
2014	715.46	47.51	15.06
2015	545.86	47.51	11.49
2016	475.88	47.51	10.02
2017	918.74	47.51	19.34
2018	758.46	47.51	15.96

The above table shows that the debt equity relationship of the company during the study period. It was 15.06 in the year 2014 and then it decreased to 11.49 in the next year 2015. In all the years the equity is less when compared with borrowings. Hence the company is not maintaining its debt position.

Table – 5: Proprietary Ratio

Year	Proprietor's funds	Total assets	Ratio
2014	47.51	299.84	0.16
2015	47.51	375.23	0.13
2016	47.51	530.15	0.09
2017	47.51	843.82	0.06
2018	47.51	716.69	0.07

The above table shows that the proprietary ratio during the study period. In all the years the owner's contribution to the total assets was not appropriate and they do not maintain their share in the company's assets. All the years the proprietor's contribution in to the total assets is less than the 2/3.

Findings

- The normal current ratio is 2:1. The above table shows current ratio is less than 2% in all the years. This shows that the company is not enjoying credit worthiness.
- All the years the Acid Test ratios are below than the normal ratio (i.e.) 1:1.
- There is fluctuation in the absolute ratio for all the years.

- In all the years the debt equity is less, when compared with borrowings. Hence the company is not maintaining its debt position.
- The proprietary ratio during the study period to the total assets is very low. In all the years the owner's contribution to the total assets was not appropriate and they do not maintain their share in the company's assets.
- The company has been making a reasonable profit, by keeping the overhead cost in control.

Suggestion

- The company's profit over the years has been decreasing when compared to previous years and even it incurred loss in the last year. The company must increase the profit in future. The company must take steps to increase the profit level.
- The Gross Profit ratio can be improved by increasing the gross profit and the factors decreasing the gross profit ratio should be thoroughly checked timely whether they are operating factors or any misleading factors.
- A Non-operating expense of the company is high. So the management should take necessary steps to reduce the non-operating expenses. The management should take steps to reduce the borrowed capital.
- The liquidity position of the company is quite satisfactory. And this must be improved further for the purpose of proper utilization of the liquid assets of the company.
- The company's current assets should be increased to meet its unforeseen expenses.
- The firm is controlling its stock position.
- Absolute ratios are very low hence the management should try maintaining the required normal ratio level of 1:1.
- The company should take steps to increase its equity level which are comparatively low than borrowings.
- The owner's contribution to the total assets was not appropriate and they do not maintain their share in the company's assets.

Conclusion

On studying the financial performance of JSW Steel Company for a period of five years from 2013-14 to 2017-18, the study reveals that the financial performance is better. However it needs to minimize the operating expenses to get high net profit. Sales turnover has to be improved by checking expenses that influences the sales. The equity position has to be improved. Current ratio should be increased to avail more credit from the lenders.

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